

Message Text

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SUBJECT: GOM ANNOUNCES CAPITAL REPATRIATION SCHEME.

1. ON JANUARY 14, 1976, GOM MINISTER OF FINANCE DR. JOSEPH ABELA ANNOUNCED A NEW GOVERNMENT PLAN TO ENCOURGE THE REPATRIATION OF PRIVATE CAPITAL INVESTED ABROAD. UNDER THE GOM SCHEME, MALTESE WITH MONEY INVESTED ABROAD PRIOR TO DECEMBER 31, 1975, CAN REPATRIATE THROUGH MALTESE BANKS ALL OR ANY PART OF THEIR CAPITAL AND, FOR A PERIOD OF ONE YEAR, BE GUARANTEED AN INTEREST RATE OF SEVEN PERCENT ON SUCH DEPOSITS.

2. MALTESE CAPITAL INVESTED ABROAD IS ESTIMATED TO TOTAL MALTA POUNDS 200 MILLION (APPROXIMATELY US \$500 MILLION), MOST OF IT IN BRITISH STERLING. BECAUSE THE DEPRECIATION OF STERLING IN RECENT YEARS HAS CAUSED "MONETARY LOSSES" TO MANY MALTESE INVESTORS, MINISTER ABELA STATED THAT THE GOM IS INTRODUCING THE PRESENT PLAN TO PROVIDE THE MALTESE INVESTOR "GREATER SECURITY" FOR HIS CAPITAL. THE PLAN IS SCHEDULED TO BECOME EFFECTIVE IN FEBRUARY, 1976, AND IT IS COMPLETELY VOLUNTARY. MINISTER ABELA CAUTIONED THAT THE PRESENT DISPARITY BETWEEN BRITISH STERLING AND THE MALTESE POUND WILL NOT PERMIT REPATRIATION

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AT PAR (AT THE PREVAILING RATE ONE MALTESE

POUND EQUALS APPROXIMATELY POUND 1.23), BECAUSE THIS WOULD
"DEplete THE GOM'S FOREIGN EXCHANGE RESERVES".

3. EXISTING REGULATIONS PERMITTING A MALTESE CITIZEN TO
INVEST ABROAD UP TO MALTA POUND 500 PER ANNUM WILL NOT BE AFFECTED
BY THE NEW REPATRIATION PLAN.

4. COMMENT: THERE IS NO QUESTION THAT MALTESE HOLDERS OF
BRITISH STERLING HAVE BEEN ADVERSELY AFFECTED BY ITS
DEPRECIATION VIS-A-VIS THE MALTESE POUND. HOWEVER,
REPATRIATION OF THEIR INVESTMENTS UNDER THE GOM SCHEME WOULD
MERELY RESULT IN CAPITAL LOSSES WITH QUESTIONABLE BENEFITS.
FOR INSTANCE, THE PROPOSED GUARANTEED INTEREST RATE OF 7 PERCENT
IS WELL BELOW RATES OBTAINABLE ABROAD, AND IN ANY CASE, IT
IS GUARANTEED FOR ONLY A YEAR. AS FAR AS ENHANCED "SECURITY"
IS CONCERNED, IT REMAINS A QUESTION OF INDIVIDUAL CONFIDENCE.
ALL CONSIDERED, IT IS NOT EXPECTED THAT THE NEW GOM REPATRIATION
SCHEME WILL RESULT IN A MINI-FLIGHT OF CAPITAL FROM THE UNITED
KINGDOM TO MALTA. SMITH

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